



## **FAMILY ECONOMIC SUCCESS POLICY RESOURCE CENTER**

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### **ASSET BUILDING AND FINANCIAL LITERACY FACT SHEET**

#### **BRIEF OVERVIEW**

Asset building enhances the growth of financial resources, creates a financial foundation and results in stable futures for many low-income families in the United States. With a significant degree of wealth inequality in the United States among low-income, minority populations, asset building can improve the financial, psychological and social wellbeing for these populations. Possession of assets is associated with economic stability for a household, a decrease in residential mobility, an increase in property maintenance, encouraging long-term planning among individuals, an increase in personal efficacy and creating a sense of social connectedness.

The relationship between financial stability of families and its impact on children is obvious: lack of financial resources results in fewer opportunities for children to engage in social and academic settings. In sum, policymakers should focus legislative efforts on asset building in their respective states to assist low-income families “save” their way out of poverty.

Families in low-income areas are often the most vulnerable to exploitative market practices. In order to offset these exploitative market practices, financial literacy and empowerment can assist low-income families in securing a stable financial future. Families can increase their personal savings and investments through fair and effective financial management. Financial literacy empowers families to take control of their financial futures and gives low-income families the tools to establish or improve their financial credit, educate themselves about financial planning, improve their financial status through proper savings and investments, and contribute to personal and community financial growth.

#### **ASSET BUILDING AND FINANCIAL LITERACY FACTS**

- On average, for a family in the lowest income quintile, debt is greater than 40% of income. (Urban Institute Press)
- Young adults pay over \$3 for every dollar borrowed. (Center for Responsible Lending)
- One of the most valuable financial assets in the United States is a retirement account; however only 10% of families in the lowest income quintile (families earning less than \$18,500) have such savings and with amounts much lower than the average American family. (Urban Institute Press)
- Lack of assets also affects the financial future of our nation’s children. The intergenerational impacts of poverty are too important to ignore—42% of sons born to a father in the lowest income quintile remain in the bottom fifth when they grow up. (Urban Institute Press)

*Updated: June 2009*